

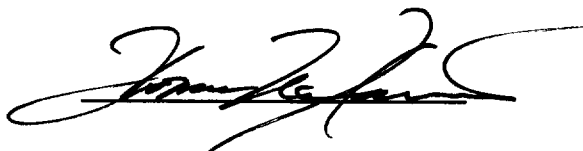
First Benefit Corporation: A Case Study

An Honors Thesis (HONRS 499)

by

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A handwritten signature in black ink, appearing to read 'Tom Harris', with a long horizontal flourish extending to the right.

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Purpose of Thesis

This case study evaluates First Benefit Corporation's present tasks and needs. It covers its business processes and its current system. It identifies the problems with the current system and evaluates alternatives. There are many systems which First Benefit could convert too. However, only four are appropriate. These four alternatives are evaluated. A solution is chosen from these alternatives. The implementation process and difficulties are then considered.

FIRST BENEFIT CORPORATION

INTRODUCTION

First Benefit Corporation is located in Anderson, Indiana. It is in the Health Benefit Industry. First Benefit Corporation performs claim processing for clients. It is a rapidly growing corporation. First Benefit's mission statement is to increase its client's competitive edge through the development, marketing, and management of Total Quality Healthcare Partnerships[16, p.1]. It has concentrated on doing things the way customers want for its propitious niche. First Benefit acts as a middleman between a client and an insurance agency. Its clients are primarily companies.

By hiring First Benefit, companies do not have to worry about its employees insurance coverage but can concentrate on its primary business activity. First Benefit will handle the claims processing. An employee says that the corporation is one big information warehouse[1]. It takes in data, manipulates it, and sends out information.

COMPANY HISTORY[4, p.1]

First Benefit Corporation is an outgrowth of Bell & Denny Inc. Greg Bell and Jim Denny offered Insurance and Securities to clients. Mr. Bell saw the need for a better quality service in the processing and payment of group health claims. Employers were open to the idea of using a third party to fulfill this need. Mr. Bell formed Bell Companies to accomplish this need. Bell Telephone requested that Mr. Bell change the name of his company after it

began to grow. The company name was changed to First Benefit Corporation on May 1, 1988.

First Benefit has evolved into a growing leader in providing services to employers in the United States. It currently insures people in all fifty states.

BUSINESS PROCESS

First Benefit must be able to process claims quickly and accurately as doctors, hospitals, specialists, and clients want their money quickly.

First Benefit uses pre-written and customized software to process claims and carry out daily tasks. It takes in the needed data, processes the claims, and sends out the bills. It also issues checks. These checks are sent directly to the beneficiary. First Benefit prepares an Internal Revenue Service(IRS) form 1099. This form is supplied annually to the IRS. It also sends out magnetic reels of claim activities to the clients who request it.

Currently, it distributes over 15,000 pages of regular monthly reports each month[16, p.2]. Over 35 tapes are sent out monthly[16, p.2]. An additional task that First Benefit performs is the printing of insurance cards. These cards must be printed every time a new group comes in or whenever a policy changes[1].

CURRENT SYSTEM

First Benefit currently has a computer system in place.

HARDWARE

The minicomputer in use is the Qantel System 98. From day one, First Benefit has been on a Qantel System with

Resource Information Management Systems supplying the software[1]. It has made continuous upgrades of the Qantel System to the present System 98. The Qantel System 98 is the last Qantel that was made. Qantel filed bankruptcy in 1991[16, p.1]. The Qantel is now supported by Decision Data Services Incorporated. It is run by the BEST/AOS operating system.

First Benefit has a local area network(LAN) set up in a star topology. This is a Novell LAN with a DOS base. It has over one hundred personal computers(PCs) on the network. Every computer has its own hard drive. Each person that is hooked up to the Qantel has an additional special Qantel card in their PC.

SOFTWARE

The software is provided by Resource Information Management Systems(RIMS). The software in use is QicClaim. QicClaim Health Claim's management system is made up of a series of computer programs for collecting and filing claims. QicClaim stores and retrieves claim history, performs calculations, displays transaction processing, and controls reports documenting the results of system activity. It is run by the use of menus and sub-menus and contains password protection[13, p.1].

The reports are generated by QicLook. QicLook provides limited manipulation of data. Any reports deviating from

QicLook capabilities must be written by First Benefit's programmer or custom written by RIMS.

First Benefit's programmer writes programs in Clarion Professional Developer. Some of the custom programs that have been written are First-Care Plus, First Care Network management, and COBRA software[16. p.2]. First Benefit employees also use WordPerfect, QuatroPro, FoxPro, Dbase, and a few general packages.

MIS DEPARTMENT

This system is supported by the Management Information Systems department. The VP of Information Systems is the head of the department. He makes the final decisions. Under him is an Information System Department manager who carries out the day to day activities. He is also responsible for the Qantel System. A programmer and a LAN Administrator are underneath him. The LAN administrator is responsible for maintenance of the LAN and the PC's. He is also responsible for software and hardware purchases. He does the research and makes a recommendation to the VP. If employees have any problems, they go to the LAN Administrator.

The MIS department's mission is first to provide First Benefit Corporation with timely and accurate information for internal and external decision making. The second part is to provide appropriate state-of-the-art technological tools for productivity, data analysis, and presentations[16, p.1]. The department does not do much strategic planning[1]. It is so

involved in solving the daily problems that it does not look to the future. It is time to evaluate its system and plan for future needs. The current system is becoming outdated and also has some problems.

This system directly effects First Benefit's efficiency and effectiveness for it supports the nature of its business. First Benefit is currently using information systems techniques. However, there are problems.

PROBLEMS

Although the current system is carrying out First Benefit's needs, it is very slow and it takes too much time to make the needed changes. The system is completely proprietary. There are several problems with this system.

First, maintenance costs are high. Qantel filed for bankruptcy protection in 1991 so Decision Data Incorporated purchased Qantel's assets[16, p.1]. There are few Qantel users around. Therefore, when something goes wrong that can not be fixed in house, there is a high price to bring in someone to fix it. Accessories such as additional memory are also outrageously high[1]. This cuts into profits and unnecessarily ties up some money which could be used to update programs or buy new pcs.

Second, First Benefit does not have the source code to make alterations to QicClaim programs. Even if it had the code, the code is written in RIMS own language. Few people know this language. Some reports that come out of the system are not in the

needed format or do not contain the needed information. Therefore, they have to download the data from the Qantel in ASCII format to a program that is written by its programmer. This takes unnecessary time.

Multiple requests come in daily for additional reports. A high percentage of these require custom reports[1]. QicLook generates some these reports, but many requests require more manipulation than QicLook can provide[16, p.2]. The data must be downloaded in ASCII format as mentioned above and then manipulated in custom written programs[1]. For example, if a company requires an extra field on a report, First Benefit must go through this timely conversion process. There is also a needed application that its programmer wrote in which the data must also be downloaded. This must be done once a week[1]. The MIS personnel spend valuable time doing this when they could be doing other things. RIMS will customize the software for a high price. First Benefit could refuse to make modifications and only offer what its present software provides. However, First Benefit's philosophy has always been to differentiate themselves from others by customizing according to each client's demands[1]. If it does not give clients what they want and how they want it, they will go somewhere else. So far this has not happened because of First Benefit's philosophy. It would like to keep up its reputation. First Benefit must be flexible to client's demands.

Third, QicClaim can not interface with other programs. The programs that are written have to be stand alone applications

because they can not interface[1]. There is data redundancy because of this. This means that some information is keyed in multiple times. QicClaim does not provide the capability to print insurance cards. As a result, the information is keyed in twice[1]. It has a special program written to do this. This is causing unneeded redundancy because the program can not interface with QicClaim. If QicClaim allowed interfacing with other programs, there would not be a problem. However, this is not the case.

New systems must be looked at to alleviate these problems. There are several systems that can perform more efficiently and are less costly.

ALTERNATIVE SOLUTIONS

One alternative is always to stay with the current system. The Qantel System has been running since First Benefit started. First Benefit has made the necessary hardware upgrades to the present system, and the current software is running correctly. It is reliable. There was only approximately two hours of down time in 1992[16, p.4]. The employees are comfortable with the current system and the department manager understands it. Also, there would be no new hardware costs by staying with QicClaim on the Qantel. However, even though First Benefit is currently getting the job done, it is taking a long time, and eventually it will harm First Benefit in terms of productivity.

Other alternatives must be looked at.

1. An upgraded version of QicClaim.
2. Move to a package called CHRIS.
3. Move to a package called A-PLUS.
4. Move to a package called A-PLUS Lite.

UPGRADED QICCLAIM

Resource Information Management Systems has versions of QicClaim that will run on a system other than the Qantel. Purchasing an upgraded version proposes two alternatives. QicClaim/2 version 1.5 could be purchased to run on Data General's Aviion file servers or it could run on the current LAN server.

RIMS has an agreement with Data General(DG) to sell Aviion file servers with QicClaim/2[3, p.7]. An advantage of this is it is an open system. However, these servers have a high cost even though their specifications are not as powerful as First Benefit's current server[6, p.18]. Therefore, this alternative should not consider using Data General's Aviion file servers. It would be best to consider implementing QicClaim/2 on the current server to save additional hardware costs.

Advantages:

The employees are comfortable with RIMS software and would not have to adjust to a new software package. Data conversion would not be needed as the data can be transported to the new package. The Qantel would no

longer be needed so maintenance costs would decrease. The Director of IS would support this decision as he is found of RIMS.

Disadvantages:

First Benefit will have to pay full price for the new package as RIMS does not offer upgrade prices. Base price without modules ranges from \$30,000-\$60,000. This could cause future concerns as new upgrades are made because as it is now, First Benefit will have to pay full price for any upgrades. First Benefit would also still have the problem of not being able to customize the software itself. Also, the manger is specialized in the Qantel so he might not feel needed. It could hurt his morale.

PURCHASE CHRIS

Multi-Benefit Systems has a comprehensive claims processing and management system called CHRIS[2, p.1]. The CHRIS package contains full adjudication of employee medical benefits for medical, dental, pharmaceutical, and vision bills[2, p.2]. It also has weekly disability income and C.O.B.R.A. administration, and cafeteria IRS 125 Flexible Spending Administration[2, p.2]. It automatically processes weekly disability claims. For example, each week a weekly disability income report is generated and checks are processed. It is completely user controlled[7, p.1].

CHRIS calculates allowable benefits for a claim based on the coverage parameters, eligibility, prior claims, incurred date of claims, coordination of benefits, and the UCR table[7, p.3]. The processor can direct CHRIS to modify or override established plan calculation or suspend payment. It also has an alpha feature which allows easy access to claims[7, p.7]. Putting an "X" by the name will display a summary of claims processed. An "I" searches by some date and a "P" by the date paid.

CHRIS's database captures the data keyed and the data calculated on an adjudicated claim. This makes it easy to modify and write reports to the client's specifications[7, p.6].

The CHRIS package will run on the IBM PS2, IBM S/36, IBM AS/400, RS/6000 and the Novell LAN. If it is installed on the PS2, it can be uploaded to the S/36 or As/400 without having to re-write, re-purchase, or re-key anything[2, p.2].

Advantages:

It offers flexibility. It is user controlled so modifications can be made. Plus, it allows reports to be written according to client's specifications. This package would require no new hardware purchases as it can be run on the current LAN. It comes with forty hours of training time. The package has good support. It offers phone support eight hours per day or on-line support via a modem. It also provides a reference list of other

users of CHRIS. Free upgrades are included for any law changes. First Benefit will be off of the Qantel and should be able to decrease costs after the initial cost outlay to purchase a new system.

Disadvantages:

Data conversion could be a problem. The data will most likely have to be re-keyed into the new package. This will be a costly and timely procedure. Also, it could disrupt operations. There might be resistance from the Director of IS because he is a supporter of RIMS. In addition, there could be employee resistance. The employees are comfortable with QicClaim and could be hesitant to use a new system. The cost is between \$30,000 to \$40,000[14].

PURCHASE A-PLUS

Mountain States Software has a full featured insurance industry management system called A-Plus[8, p.1]. This package combines the latest technology while allowing needed flexibility.

This package contains complete policy detail and claims tracking, including ACORD standards, for life, health, and disability insurance[10, p.1]. It will print plain paper insurance forms. If there is information needed that is not on the standard screens, company specific user-defined screens can be created[10, p.1].

A-PLUS has over two hundred pre-programmed reports yet allows organizations to develop custom reports for its own specific needs. All reports can be viewed on the monitor, printed, or saved in a file for merging with other software[10, p.3]. It will allow interfacing with other software. It allows organizations to call its own programs from within the A-PLUS system[10, p.3]. Specifically, there is WordPerfect merging capabilities. As mentioned above, the data can be merged into other software.

Pop-up menus allow a user to run frequently used programs at any time[10, p.3]. It even allows a user to switch to another program when he is in the middle of something else. It will switch to another program within A-PLUS or switch to an entirely new program without interfering with the current task.

A-PLUS also has a complete marketing program[11, p.3]. It will allow an organization to target a specific group of clients. The organization can define its own actions for a number of plans. In addition, A-PLUS has accounting capabilities[11, p.2]. This accounting feature handles installment billing, split commissions, out or in-house premium financing, or third party billing. Some accounting features include bank statement reconciliation, self-balancing, trust account, payment coupons, budgets, and direct bill reconciliation[11, p.2]. These are done in batch entries. The work is kept in batches for easy access to make

changes until it is posted. A-PLUS will also allow a user to print directly from A-PLUS to nearly any fax machine[10, p.2]. It has password protection at two levels and nine security level checks[11, p.3].

Mountain States Software interfaces with several companies such as American States, TransAmerica, Safeco, and General Accident[11, p.5]. Therefore, data can be downloaded from these companies through A-PLUS. In addition, Mountain States will help in data conversion[11, p.5].

This package will run on MS-DOS, Novell DR-DOS, or Microsoft Windows[10, p.4]. The program was designed to run on a local area network[7, p.1]. It will support two hundred and fifty stations on each Novell file server[10, p.4].

Advantages:

A-PLUS is easy to use. It is not just user friendly but is user obvious[10, p.1]. There is an on-line manual for help. Help is available in every program. Also, validity checks are done on the data that is input through the use of data verification tables. The system will remind users of important tasks and warn them if they are heading for problems. It can diagnose some problems and recommend a solution[10, p.3]. A-PLUS offers flexibility. It will run with First Benefit's customized programs and allow customized reports. It uses on-line indexes to allow easy access to unsorted information. It has good security and will help with

data conversion. No new hardware purchases would be required as it will run on the current LAN. Also, First Benefit will be off of the Qantel and should be able to decrease costs after the initial cost to purchase the package. It offers more than just claims processing. First Benefit can do company records and business on the system. The source code is available if the vendor's business fails or it can not adequately serve its customers[15, p.2].

Disadvantages:

Even though data conversion is offered, there can be data conversion difficulties. These could disrupt operations. Training costs could be high as no training is offered. There might be resistance from the Director of IS because he is a supporter of RIMS. In addition, there could be employee resistance. The employees are comfortable with QicClaim and could be hesitant to use a new system even though it is extremely user friendly. The cost is very high. For one hundred and twenty users it cost \$88,000 for the software and maintenance[9].

Purchase A-PLUS Lite

Mountain States Software offers another package which gives much of the power of A-PLUS but without all the sophisticated programs[10, p.5]. It is just like A-PLUS except it does not include all the programs. It does not have

self-administered marketing, company policy download, document imaging, broker billing, installment billing, transaction filing, or the ability to set up multiple agencies[10, p.5].

Advantages:

Most of the advantages are the same as using A-PLUS. An additional advantage is that it can be easily upgraded to the more powerful A-PLUS.

Disadvantages:

The disadvantages are also the same as A-PLUS except the price is substantially lower. It only costs about \$3000[10, p.5]. It does not handle installment billing. It can not handle a large volume of data[9].

RECOMMENDATION

Staying with the current system will not alleviate any problems and could cause future difficulties. The best solution would be to move to a new package using the Novell LAN on the current server. The new technology is moving to support LAN applications. QicClaim/2 will run on the current LAN. However, Resource Information Management Systems is not willing to work with First Benefit. It likes to keep a tight control over its software. Moving to QicClaim/2 will decrease maintenance costs but will not offer the needed flexibility. It was strongly considered even though it would not correct all the problems because management is a strong supporter of RIMS. It would have been a first step. Then, First Benefit employees could slowly convince management of the necessity of a change to a new company. RIMS just will not

relinquish any control. Therefore, using RIMS is not the best possible solution.

The other three considered packages all cover the needs of First Benefit. In addition, they will give First Benefit the flexibility it needs and will decrease its costs. All three will also run on the existing server. Therefore, there will only be the initial cost of purchasing the software instead of additional hardware costs. In the long run, First Benefit will be saving money because the MIS personnel can now carry out their own tasks instead of downloading and converting data.

The best package to implement is Mountain States Software package called A-Plus. A-PLUS thoroughly covers First Benefit's needs. Mountain States Software seems to be the most willing to work with First Benefit. Mountain States Software is user oriented. It listens to its customers. Modifications have been made according to user requests[11, p.1].

A-Plus has an on-line manual for help. Also, all screen prompts are seen at the bottom of each screen so the user will not have to keep lists or memorize A-Plus' specific abbreviations[11, p.2]. All codes can be viewed by pushing the F4 key. Therefore, it should not be difficult for the employees to use. The biggest plus is its great flexibility. It will interface with First Benefit's customized program. First Benefit can also create customized reports.

The cost of this package including maintenance is \$88,000[9]. This includes data conversion from the Qantel's QicClaim. Whereas

this cost is nearly \$50,000 higher than the CHRIS package, it will be worth it because it includes upgrades, Mountain States Software helps in data conversion, and it is flexible and expandable. It will grow with the company.

This package will provide First Benefit with the most benefits and help the company perform duties more efficiently. The CHRIS package had many of the features that First Benefit needed. However, A-PLUS was more flexible and had a few extra features that made it more worthwhile than CHRIS. A-PLUS Lite lacked some of the features that First Benefit needed. In addition, it had limited data capabilities.

IMPLEMENTATION

First Benefit should contact Mountain States Software and begin the process of converting to A-PLUS. A local representative will work individually with First Benefit in the transition process. The manager of IS who has specialized in the Qantel should work closely in this process so he will still feel like an important part of the MIS department. The director of IS should also work closely in this process as he was a strong supporter of RIMS. After working with Mountain States, he should appreciate the helpful attitude and knowledge that Mountain States can provide. First Benefit should also work on developing a training program for the employees.

No matter what system a company switches too, there will be lost time, initial reduced productivity, and retraining. There will be some potential difficulties to be aware of.

IMPLEMENTATION DIFFICULTIES

The biggest concern will be converting the data from Qantel's QicClaim to A-PLUS on the Novell LAN. It will have to be converted to ASCII format, downloaded, and then read into A-PLUS. Even though Mountain States will help in conversion, there is a chance difficulties will arise. First Benefit should make sure the data is backed up. If possible, run the two systems parallel to ensure the data is correct.

A second problem is employee resistance. People do not like change. The employees may resist the change. They may not feel comfortable with the new system. This can be overcome by training. Proper training should help overcome employees fear and help them feel comfortable. Plus, A-PLUS is designed to be user friendly. Support should be offered until the transaction is complete. An improved system will not provide benefits if it is not used to its full potential. Thus, working with the employees is very important.

This solution will provide the most benefits with the least costs after the initial software purchase. It does have some disadvantages as every decision does, but the advantages outweigh the disadvantages. This system will keep First Benefit successfully completing their goals.

CONCLUSION

First Benefit Corporation is an information warehouse[1]. First Benefit takes in data, manipulates it, and sends out information. It is making use of information technology presently but needs an improved system. Purchasing a new software package called A-PLUS and moving away from the Qantel minicomputer will improve First Benefit's efficiency and effectiveness.

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